Meeting of the Cabinet to be held at No. 10, Downing Street, S.W., on WEDNESDAY, 20th November, 1929, at 11.0 a.m.

AGENDA.

1. FOREIGN AFFAIRS. (If required).

2. THE QUESTION OF GERMAN PROPERTY IN THE UNITED KINGDOM.

3. THE COALFIELDS DISTRESS FUND.
   (Question to be raised by the Prime Minister).

4. CLOSER UNION IN EAST AFRICA.
   (Reference Cabinet 48 (29) Conclusion 8).
   Memorandum by the Secretary of State for the Colonies.
   (C.P. 308 (29) - already circulated).
   Memorandum by the Secretary of State for India.
   (C.P. 319 (29) - already circulated).
   Memorandum by the Secretary of State for India, covering copies of telegrams.
   (C.P. 325 (29) - circulated herewith).

5. THE FACTORIES BILL - QUESTIONS OF POLICY.
   (Reference Cabinet 40 (29) Conclusion 3).
   Report of Cabinet Committee.
   (C.P. 315 (29) - circulated herewith).

6. CONCLUSIONS OF COMMITTEE OF HOME AFFAIRS.
   (Reference H.A.C. 12th Conclusions (29) - circulated herewith).
   The Mental Treatment Bill.
   The Crown Proceedings Bill.
   (C.P. 327 (29) - circulated herewith).
7. **PRIVATE MEMBERS' BILLS.**

For Friday, November 22nd.

The Musical Copyright Bill.

The Small Landholders (Scotland) Acts (Amendment) (No. 2) Bill.

For Friday, November 29th.

Children and Young Persons (Employment and Protection) Bill.

Workmen's Compensation (No. 2) Bill.

(Signed) M.P.A. HANKEY,
Secretary, Cabinet.

2, Whitehall Gardens, S.W.1.

19th November, 1929.
CONCLUSIONS of a Meeting of the Cabinet held at
10, Downing Street, S.W.1., on WEDNESDAY,
20th November, 1929, at 11.0 a.m.

PRESENT:

The Right Hon. J. Ramsay MacDonald, M.P.,
Prime Minister. (In the Chair).

The Right Hon.
Philip Snowden, M.P.,
Chancellor of the
Exchequer.

The Right Hon.
J. H. Thomas, M.P.,
Lord Privy Seal.

The Right Hon.
Lord Parmoor of Frieth,
K.C.V.O., K.C., Lord
President of the Council.

The Right Hon.
J. R. Clynes, M.P.,
Secretary of State for
Home Affairs.

The Right Hon.
Tom Shaw, C.B.E., M.P.,
Secretary of State for
War.

The Right Hon.
Arthur Greenwood, M.P.,
Minister of Health.

The Right Hon.
Noel Buxton, M.P.,
Minister of Agriculture
and Fisheries.

The Right Hon.
William Graham, M.P.,
President of the Board
of Trade.

The Right Hon.
William Adamson, M.P.,
Secretary of State for
Scotland.

The Right Hon.
Arthur Henderson, M.P.,
Secretary of State for
Foreign Affairs.

The Right Hon.
Lord Passfield, Secretary
of State for Dominion Affairs
and Secretary of State
for the Colonies.

The Right Hon.
Lord Sankey, C.B.E.,
Lord Chancellor.

The Right Hon.
W. Wedgwood Benn, D.S.O.,
D.F.C., M.P., Secretary of
State for India.

Brig.-Gen. The Right Hon.
Lord Thomson, C.B.E., D.S.O.,
Secretary of State for
Air.

The Right Hon.
Margaret Bondfield, M.P.,
Minister of Labour.

The Right Hon.
Sir Charles Trevelyan, Bt.,
M.P., President of the
Board of Education.

The Right Hon.
A.V. Alexander, M.P.,
First Lord of the
Admiralty.

The Right Hon.
George Lansbury, M.P.,
First Commissioner of
Works.

1. After hearing the facts from the Secretary of State for Foreign Affairs and the Secretary of State for India, the Cabinet approved the action of their colleagues in refusing a passport to Mr. Saklatvala to proceed to India, on the ground that his object was to attend an Indian Conference, where his presence could only contribute towards unrest.
1. After hearing the facts from the Secretary of State for Foreign Affairs and the Secretary of State for India, the Cabinet approved the action of their colleagues in refusing a passport to Mr. Saklatvala to proceed to India, on the ground that his object was to attend an Indian Conference, where his presence could only contribute towards unrest.
2. The attention of the Cabinet was drawn by the Secretary of State for Foreign Affairs to a Memorandum (Paper C.P.-324 (29)) he had circulated on the previous day raising the question of whether Messrs Vickers & Co. should be informed that they would be granted a licence for the export of a Cruiser, when completed, to China; or, alternatively, that the licence would not be granted.

As acceptance of this order by a British firm is not contrary to the Arms Traffic Convention (a Convention which is not to be ratified by His Majesty's Government without simultaneous ratification by the principal arms-producing States), and having regard to the fact that if unable to place it with a British firm the Chinese Government would place the order elsewhere, the Cabinet agreed —

That the firms concerned should be informed that a licence would be issued.

* * *

This decision is technically amended in Cabinet 50(29)w.
3. After hearing from the Chancellor of the Exchequer, the Secretary of State for Foreign Affairs and the President of the Board of Trade statements in regard to the difficulties which have arisen with the German Government in connection both with the liquidation of German property in the United Kingdom and the reservation made by the German Government in Annex II of the Protocol signed at The Hague on the 31st August concerning the application of the Reparation Recovery Acts pari passu with deliveries in kind after the expiry of the ten-year programme laid down in the Experts' Report (Cmd.3392), the Cabinet agreed —

(a) To approve the text of a statement to be made by the Chancellor of the Exchequer in the House of Commons in reply to a Question, subject to a small amendment in a passage relating to the reimbursement of German nationals by the German Government, so that, while making clear that "This is a matter within the competence of the German Legislature", a form of words might be used which could not be construed as reflecting upon their action (See Appendix.)

(b) That, as a matter of policy, it is essential that the question of the liquidation of German property in the United Kingdom should be made the subject of an agreement by the Committee appointed by The Hague Conference to consider such questions, which is now sitting in Paris — a Committee at which the German representatives have throughout adopted a dilatory and non-committal attitude. Further, that the German propaganda in this country on this subject, and the disclosure to the Press of the Chancellor of the Exchequer's letter to the German Ambassador, were most improper.

(c) That the same principle applies to the settlement, before the resumption of The Hague Conference, of the question of the position of the Reparations Recovery Acts, as referred to above.

(d) That in the first instance the Secretary...
of State for Foreign Affairs should see the German Ambassador on these questions at an early date and impress strongly upon him the views of the Cabinet as set forth above. He should make clear that the policy of endeavouring to postpone a settlement of these questions until the next Session of The Hague Conference could not succeed and that they must be cleared up before the next Session could be held. It was further agreed that the Secretary of State for Foreign Affairs should hand an aide-memoire to the German Ambassador so that there could be no doubt about the position of His Majesty's Government or its determination:

(a) That the Secretary of State for Foreign Affairs should circulate to the Cabinet the usual record of his conversation. If he should be unable to obtain a satisfactory response from the German Government, the next step should be considered, particularly the despatch of an appropriate letter as proposed by the Chancellor of the Exchequer.
4. The Prime Minister brought up, as a matter of urgency, the question of the Lord Mayor's Fund raised during the previous year for the relief of distress in the coalfields, – a subject on which the Government would almost certainly have to make a statement in Parliament in the immediate future.

The Cabinet agreed —

That the question should be placed on the Agenda at their next regular weekly meeting, and, in the meantime (i) the Secretary should circulate a Report handed to him by the Chancellor of the Exchequer; and (ii) certain Ministers who had been looking into this question should, at their discretion, circulate their own remarks.
5. After hearing a statement by the Secretary of State for Scotland in regard to the recent disaster to the Scottish fisheries, which had resulted in the loss of a very large number of fishing-nets, the Cabinet, while feeling the fullest sympathy with the victims of this misfortune, felt unable, as a matter of principle, to make a contribution to the Relief Fund which was being raised in Scotland.
6. The question of closer union in East Africa, on which Memoranda had been circulated by the Secretary of State for the Colonies (Paper C.P.-308 (29)) and by the Secretary of State for India (Paper C.P.-319 (29) and C.P.-325 (29)), was postponed until the next regular weekly meeting of the Cabinet, and the Secretary was instructed to place it as the second item on the Agenda Paper.

The Prime Minister formulated the principal questions arising as follows:

(i) The general lines of the re-organisation of the three territories concerned;

(ii) The general attitude to be adopted towards Kenya Constitution, including the questions of the Official Majority and the Common Roll.

He asked his colleagues to read the Memoranda with especial care and to be ready to express their views on these questions when the matter came up at the next Meeting.

The Secretary of State for the Colonies undertook to supply the Cabinet with copies of the original White Papers of 1923 and 1927, dealing with Kenya.
7. The Cabinet had before them a Report by the Cabinet Committee on the Factories Bill (Paper C.P. 315 (29)) containing recommendations in regard to ten out of the twelve questions submitted to them by the Home Secretary in regard to the Bill, but reserving for the decision of the Cabinet matters relating to the following:

(i) **THE OVERTIME CLAUSES**, which the Committee considered must depend on the decision to be taken by the Cabinet with regard to the nature of the Clauses to be inserted in the draft Hours of Employment Bill.

(ii) **THE TWO-SHIFT SYSTEM** (Clause 80 of the Bill), namely, as to whether the system should be dropped both from the Expiring Laws Continuance Bill and the Factories Bill, or whether any reference to the system in the Factories Bill should be omitted and its continuance as a temporary measure defended in the Expiring Laws Continuance Bill, or whether it should be dealt with in both Bills, leaving the principle to be decided on a proposal in the Factories Bill to make the system a permanent part of our factory legislation.

The Cabinet approved the Report of the Cabinet Committee, subject to the following:

(a) **OVERTIME.** Approval to the proposal that this should be reserved for consideration in connection with the Hours of Employment Bill:

(b) That the continuance of the **TWO-SHIFT SYSTEM** should be provided for in the Expiring Laws Continuance Bill as a temporary measure, and that the Government spokesman on this Bill should make clear that the Factories Bill would include a proposal to make the system permanent, on which the whole principle could be fully debated and decided:

(c) That the provisions to be included in the Factories Bill in regard to the **TWO-SHIFT SYSTEM** should be considered at the next weekly Meeting of the Cabinet, and that in the meanwhile the President of the Board of Trade 

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and the First Lord of the Admiralty should confer as to whether it would be desirable to circulate a Memorandum on the subject arising out of the investigations of the Sub-Committee of the Committee of Civil Research on the Cotton Industry.
8. The Cabinet had before them a Memorandum (Paper H.A.-29 (29)) by the Minister of Health covering the draft Mental Treatment Bill, which is designed to give effect to certain urgently needed improvements in Lunacy Law and Administration, arising out of the Report of the Royal Commission on Lunacy (Cmd.2700 of 1926), together with the recommendations of the Committee of Home Affairs thereon (H.A.C. 12th Conclusions (29), Paragraph 1).

In accordance with the recommendations of the Committee of Home Affairs, the Cabinet agreed —

To approve the introduction in the House of Lords of the Mental Treatment Bill in the form of the draft annexed to F.A.-29 (29), subject to:

(a) the addition of the provision suggested by the Minister of Health,

(b) such modification of clauses 1(3) and 5(1) as may be agreed by the Minister of Health, the Attorney-General and Parliamentary Counsel, and

(c) any drafting or other minor alterations that may be found necessary or desirable.
9. The Cabinet had before them a Memorandum by the Lord Chancellor (Paper H.A.-33 (29)) on the subject of the Crown Proceedings Bill, together with the recommendations of the Committee of Home Affairs thereon (H.A.C. 12th Conclusions (29), Paragraph 2), and a Note by the First Lord of the Admiralty (Paper C.P.-327 (29)) offering strenuous opposition to Part II of the Bill and criticising some aspects of Parts I and II.

At the request of the Lord Chancellor, who had received Departmental objections to the Bill, the question was reserved until the next regular weekly Meeting of the Cabinet.
10. The Cabinet had before them a Musical
Copyright Bill, to be introduced by a Private
Member on Friday, November 22nd, and agreed —

That the spokesman for the Board of
Trade on the subject should give as
much Departmental information on the
matter as possible, but should make
it clear that the Government could
give no facilities for the progress
of the Bill.
11. The Prime Minister drew the attention of the Cabinet to a statement he had made in the House of Commons on Monday, November 18th, in regard to a proposal that a Conference of all Parties should be held to consider the question of Unemployment (Appendix II). To further questions he intended to reply to the effect that no approach to him had been made since his last statement on the subject.

2, Whitehall Gardens, S.W.1,
November 20, 1929.
I will take these two questions together and as there has been a good deal of misunderstanding of the facts referred to, I propose, with the leave of the House, to make a general statement of the position of His Majesty's Government in the matter.

I have consulted the British Experts on the Young Committee and I am informed that the disposal of the surplus proceeds of liquidation of German properties was fully considered by the Experts' Committee in Paris and that it was the intention of the British Experts, as it was the intention of the Experts of all the other Creditor Governments, that the proceeds of liquidation of these properties should be retained, in accordance with the Treaty, by the Creditor Powers concerned and that no part of such proceeds should be repaid to Germany; and it was only on this understanding that they agreed to recommend the reduction of the German obligations as proposed in the Plan.

The text of the Report, indeed, makes the position quite clear. Section 8 provides that the annuities proposed in the Report should cover the obligations of Germany, as defined in the Dawes Plan: while Section 9
provides that the accounts of the Reparation Commission relating to the original capital debt should be closed.

The Report proceeds:—

"The Creditor Governments under this Plan will be reducing the whole body of their claims arising out of the war or under the Treaty of Versailles to a considerable extent. The Experts of the Creditor countries are aware that past transactions have given or may give rise to claims by Germany, some of which are still unsettled, and while they are not able to go into the merits of these claims, they consider that the Creditor Governments are fully entitled to expect that Germany should waive them in consideration of the consolidation of the Creditors' claims at a reduced figure. Any other course would be inconsistent with their intention that, just as the new Annuities cover all the claims defined in Part XI of the Dawes Plan, so they should be paid free of deduction in respect of any past transactions. The Committee recognises however that this is entirely a matter for the Governments to deal with".

I may explain that the German properties sequestrated during the war were transferred to the Creditor Governments as at the date of the entry into force of the Treaty viz. 10th January, 1920. The German Government at the same time retained the proceeds of liquidation of property of Allied nationals in Germany and undertook to compensate its own nationals in respect of their properties liquidated abroad. The Treaty provided that the proceeds of liquidation realised by the Creditor Governments might be applied to meet private claims of their nationals on account of debts, property losses and compensation awards due by Germany and that, thereafter, any surplus might be retained by the Creditor Governments on account of their reparation claims. After the German schedule of payments was fixed in 1921, the Reparation Commission decided, and duly informed the German Government, that any surplus proceeds so retained would be
credited to Germany on account of the capital reparation debt and not on account of the current annuities. The liquidation of these properties was taken into account by the Second Experts' Committee appointed in 1924 and the German annuities fixed both in the Dawes plan and in the Young Plan were based on the capacity of Germany to pay, on the assumption that these properties were definitely lost to Germany.

On two occasions the German Government raised claims before the Interpretation Tribunal set up under the Dawes Plan for credits in respect of the proceeds of liquidation of German property against the German annuities as defined by Section II of Part I of the Dawes Plan, but on each occasion the Tribunal has rejected these claims, and under the terms of Section 8 of the Young Plan, these decisions will apply also to the annuities payable under the Young Plan. It appears to be quite clear that while the Young Committee recommended that the Creditor Governments should discontinue their right to liquidate in the future, they did not contemplate that Germany should be repaid any part of the proceeds of past liquidations.

The only action therefore required at the Hague Conference was the drafting of the exact formula required for putting the above recommendations into effect, which has been entrusted to the Committee set up by that Conference "to apply the recommendations of the Chapter IX of the Report of the Experts relating to the liquidation of the past". The report of that Committee has not yet been completed but I am informed that the representatives of all the Creditor Governments are agreed that the German Government must waive all claims on these balances, as a condition of the coming into force of the Young Plan. In this connection, I should point out that it is quite untrue to say that the British Government are pursuing a policy different from that of the other Creditor Governments in Europe in this matter. Neither
France nor Italy nor Belgium, so far as I am aware, have any intention of returning to the German Government any part of the proceeds of past liquidations. All they have done or undertaken to do is to suspend liquidations and to release properties not yet liquid, liquidated or finally disposed of. His Majesty’s Government have offered to enter into a similar arrangement, as regards the cessation of future liquidations, and they suspended liquidations as from the 31st August last.

As regards the past, the proceeds of liquidation of German properties in this country have in accordance with the arrangements in the treaty referred to above been used in the first instance for meeting the private claims of British nationals. This accounts for the great bulk of the money. The surplus, which is estimated at about £14 millions, is paid to the Exchequer as it is realised. This surplus, being a general balance, cannot of course be earmarked or identified as the proceeds of any particular property and there is no better case for returning it to the German Government than for returning the merchant ships or other Treaty deliveries on reparation account made by Germany in 1920.

His Majesty’s Government consider that the retention of this surplus forms an integral part of the Experts’ Plan, and they will in no circumstances agree to any such modification of the Plan, at the expense of this country, as would be involved by the return of any part of this sum to the German Government.

In saying this, I must not be understood as overlooking the hardships sustained by the German nationals concerned who have not yet received the compensation provided for in the Treaty but this is a matter within the competence of the German Legislature.
His Majesty's Government have indeed contributed very substantially to alleviate the hardships of individuals, with whom I have always had much sympathy, by the discretionary releases, on humanitarian grounds, granted by the Board of Trade especially on the recommendation of the Blanesburgh Committee. The total of properties already released under this procedure exceeds £5 millions. In addition, His Majesty's Government have offered, in accordance with the recommendation of the Young Committee, to waive claims to properties not yet liquidated (including dollar securities which are the subject of litigation) estimated to be worth a further £5 millions. Thus His Majesty's Government will, when the Young Plan is definitely adopted, have released altogether German properties or claims valued at over £10 millions - a much larger amount than any sums which I believe have been released or are likely to be released by any other of the European creditor Governments.

It seems to me that the renunciation of these claims represents the fullest measure of generosity which can be justified and in my opinion it gives effect, as fully as can be done, to the desire which I have expressed when in a position of less responsibility to see these provisions of the Treaty ultimately abandoned.
APPENDIX II.

EXTRACT FROM PARLIAMENTARY DebATES.
HOUSE OF COMMONS.

Monday, November 18th, 1929.

UNEMPLOYMENT.

Political Parties (Co-operation).

48. MR. PHILIP OLIVER asked the Prime Minister whether he would be prepared, in consultation with the leaders of the two Opposition parties, to appoint a Committee comprised of Members of all parties to advise as to what further schemes are practicable for dealing with the problem of unemployment?

81. MR. MANDER asked the Lord Privy Seal whether he is prepared to consider the appointment of a Committee drawn from Members of all parties in the House to assist him in the solution of the unemployment problem?

THE PRIME MINISTER: In the speech that he made immediately after we took office, my right hon. Friend the Lord Privy Seal, while safeguarding Government responsibility for policy, announced his intention of seeing how far he could mobilise the good will which we believed existed in all parties and in the country generally to devise a programme for dealing with the problem of unemployment. As regards an all party Committee, I should remind the House that when we were in opposition we made such a proposal to our predecessors, who regarded it as impracticable, but if I could see anything which would
justify the belief that the parties opposite were prepared to co-operate and that useful results would be obtained, always safeguarding the responsibility of the Government, I should be willing to consider representations.